

Minutes of the Lottery Advisory Commission
January 25, 2006

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 10:00 – 11:50 a.m., on Wednesday, January 25, 2006. Representing the Commission were Representative Lois Delmore, Senator Jerry Klein, Mr. Laurel Thoreson, and Ms. Darlene Watne. Representative Kelsch (chairperson) was absent. Representing the North Dakota Lottery (Lottery) were Mr. Chuck Keller, director; Ms. Missy Reich, administrative assistant; Ms. Barb Masset, accounting/budget specialist; Ms. Julie Thompson, security officer; and Ms. Danielle Schaefer, administrative staff officer.

Mr. Ron Tolstad, Audit Manager, State Auditors Office, and Mr. Wayne Wenstrom, President, North Dakota Petroleum Marketers Association were present.

Acting Chairman

In the absence of Representative Kelsch, Senator Klein chaired the meeting.

Approval of Minutes

Commissioner Thoreson made a motion to approve the minutes of the November 2, 2005, teleconference. Representative Delmore seconded the motion. The motion passed 4-0.

Presentation of the Audit Report on the Lottery for Fiscal Year Ended June 30, 2005

Mr. Tolstad provided members of the Commission (Lottery's Audit Committee) with an overview of the audit report on the Lottery for the fiscal year ended June 30, 2005. He explained the importance of several sections of the report. Mr. Tolstad indicated that there were no new accounting policies, no significant transactions, no adjustments, no disagreements between the audit staff and the Lottery, no Lottery consultations with other audit firms, and no difficulties in performing the audit. Mr. Tolstad complimented the Lottery for its fine cooperation. He presented an overview of the management letter and explained three informal recommendations.

Commissioner Watne made a motion to accept the Audit Report. Representative Delmore seconded the motion. The motion passed 4-0.

Plan for Launching “2by2”

Ms. Thompson provided members of the Commission an overview of the new 2by2 game launch, along with samples of point-of-sale items. The launch is scheduled for Thursday, February 2, 2006. She indicated that there would be two celebratory launch sites in Fargo and two sites in Bismarck/Mandan. Ms. Thompson indicated that the Lottery is doing a special promotion on the new 2by2 game whereby players can buy single 6-draw tickets for the price of \$5 and saving \$1. Mr. Keller indicated that the new 2by2 game is projected to generate about \$950,000 per year in sales.

Plan for “Power Play 10X” Promotion

Ms. Schaefer provided members of the Commission an overview of the “Power Play 10X” promotion, along with samples of point-of-sale items. She indicated that the promotion involves all member lotteries of the Multi-State Lottery Association and will run from March 4 (first draw) thru March 29. The promotion is to educate and prompt players to consider the Power Play option when purchasing Powerball tickets.

Marketing Plan for 2006

Mr. Keller provided members of the Commission an overview of the marketing plan for 2006. The plan includes launch of the new “2by2” game (February), Power Play 10X promotion (March), participating in the North Dakota State Fair (July), 15 Millionth Ticket promotion (late summer/fall), and possible launch of one more game (fall 2006/spring 2007).

Update of Subscriptions

Ms. Schaefer provided members of the Commission an overview of the Lottery’s subscription service. As of January 24, 2006, the Lottery has received about 400 subscriptions representing sales of \$33,000. She indicated that the Lottery plans to improve its website to enable players to more easily apply for subscriptions directly through the website. This would increase sales.

Public Comments and Final Approval of Proposed Administrative Rules

Mr. Keller indicated that a public hearing was held in Fargo on December 12, 2005, and in Bismarck on December 13, 2005. One person attended the Fargo hearing. Nobody attended the Bismarck hearing. Only two oral public comments were received on the proposed rules. Neither comment was a recommendation to change the proposed rules. Mr. Keller explained the two comments.

Representative Delmore made a motion to acknowledge that the Commission considered the two public comments and did not act on the comments since the comments were not expressed to change the proposed rules. Commissioner Watne seconded the motion. The motion passed 4-0.

Representative Delmore made a motion to approve the January 25, 2006 version of proposed rules. Commissioner Thoreson seconded the motion. The motion passed 4-0.

Consideration of a Proposed Slogan

Mr. Keller presented six different slogans, each containing the word “dream,” and asked members of the Commission to indicate which slogan they preferred. The members of the Commission did not have a consensus on any one slogan. Mr. Keller indicated that he would assign the responsibility of creating a proposed slogan for the Lottery to the new sales and marketing specialist.

Staffing Change

Mr. Keller indicated that the sales and marketing position has been vacant since November 30, 2005 when the employee who was previously in that position resigned. He said the vacant position was advertised. Mr. Keller and Ms. Glenna Ellison did a screening interview of the top six candidates and narrowed the list to two applicants. Then, Mr. Keller, Ms. Glenna Ellison (human resource manager of Attorney General’s Office), and Mr. James Ferragut (representative of H2M – ad agency) interviewed the two candidates. The final selection has not yet been made.

Mr. Keller provided members of the Commission a Lottery organization chart.

Omnibus Items

Commissioner Watne asked the Commission about North Dakota having instant tickets. Mr. Keller explained that while the State’s Constitution would allow any “multi-state” game, online or instant tickets, the lottery law restricts the Lottery to online games. He indicated that if the law was changed to legalize instant tickets, the Lottery would need to partner with at least one other government-authorized lottery and there would need to be a benefit for the other lottery as an attraction to partner with the North Dakota Lottery. Mr. Keller questioned whether there would be sufficient attraction based solely on ticket price points. He said the Lottery’s role is not to advocate changing the law to legalize instant tickets. Rather, the Lottery’s role is to administer and regulate any type of lottery-related gaming that the legislature authorizes.

Mr. Wenstrom asked the Commission to consider making available for retailers stand alone player-activated lottery ticket self-checking devices to enable players to check their tickets themselves. He indicated that this would free up some of the retailers time. Mr. Keller indicated that although he addressed this item nearly two years ago and determined that the cost was prohibitive, he would again look into it.

Mr. Keller provided members of the Commission with an overview of recent per capita statistics for the games Powerball, Hot Lotto, and Wild Card 2 for the Lottery in relation to per capita statistics of several other similar state lotteries.

Adjournment

Commissioner Thoreson made a motion to adjourn meeting. Commissioner Watne seconded the motion. The motion passed 4-0.

The meeting adjourned at 11:50 a.m.